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ANNUAL

REPORT

1965

SILVERFIELDS

MINING CORPORATION LIMITED

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SILVERFIELDS

MINING CORPORATION LIMITED

ANNUAL REPORT

For the year ended August 31, 1965

ANNUAL REPORT

for the period ended August 31

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Silverfields Headframe and Mine Buildings.

SILVERFIELDS MINING CORPORATION LIMITED

HIGHLIGHTS — 1965

- Silver production 1,232,367 ounces worth \$1,658,644
- Operating profit \$763,682
- Net income \$689,492 or 45.9¢ per share
- Working capital up \$481,334 at \$591,873
- Ore reserves 110,000 tons
Plus substantial increase in potential reserves
- New mill purchased to start operations in November, 1965
- Milling capacity to be doubled to over 200 tons daily
- Royalty payments reduced from 15% to 10% on silver concentrate
- Union contract negotiated for 2 year period

ANNUAL MEETING

November 30, 1965, 11.00 A.M.
11th Floor, Board of Trade Building,
11 Adelaide Street West, Toronto, Canada



PRESIDENT'S LETTER

TO THE SHAREHOLDERS:

The second annual report of your company for the fiscal year ended August 31, 1965 is submitted herewith for your approval and includes a report on operations, financial statements and the auditors' report.

The period under review represents the first year of regular silver production and it can be reported that in all aspects most favourable results were obtained. Production and income were well in line with earlier estimates, and the good rate of earnings established has allowed the company to build up a strong working capital position. Exploration and development maintained the established ore reserve position of the previous year and, equally important, added a substantial increase in potential ore reserves. As a result of this major improvement in ore potential it was decided to expand the rate of production and milling. The Silver Summit milling plant on the adjoining property was purchased on advantageous terms.

Regular production shipments to the custom mill started on September 1, 1964 and in the 12-month period ended August 31, 1965 a total of 37,041 tons of ore were treated with a gross metal value of \$1,658,644. After royalty payments of \$161,942 and smelting, refining, marketing and freight of \$76,519, net proceeds were \$1,420,183. In the previous year intermittent shipments of development ore had yielded a gross value of \$759,407 and net proceeds of \$609,494. Operating income for the 1965 fiscal year after deducting regular expenses was \$763,682, and net income amounted to \$689,492, equivalent to 45.9¢ per share. As a new mine the company is exempt from corporation income taxes for a three-year period.

After providing for expanded operations and the purchase of the milling plant, net working capital was increased by \$481,334 to \$591,873.

Exploration work continued to define and extend the known veins, and also discovered several new veins to the north. Underground operations were directed towards developing established ore

zones and preparing stopes for production. Indicated ore reserves in the central area of the mine workings were maintained at 110,000 tons, including 14,700 tons of broken ore. A substantial increase in potential reserves was indicated by diamond drilling to the north on the three bottom levels, and to the southeast from the 3rd level.

To expedite exploration in other favourable areas arrangements were made to begin work at the southeast end of the property from the underground workings of the neighbouring Hiho property of Glen Lake Mines Limited. Initial results have been encouraging. In August a joint exploration venture was negotiated with Silver Summit Mines Limited which will aid in exploring the west side of Silverfields' property.

In view of the expanding ore potential it was decided to increase the rate of production and the adjoining Silver Summit mill, located approximately three-quarters of a mile away by road, was acquired for \$150,000. The plant is being overhauled, and additions are being made to the flotation circuit to increase the mill's capacity above the original 200-ton daily rate. Operations are scheduled to start in November and should result in substantial savings in treatment costs.

The royalty payments to the property lessor were renegotiated and as of January 4, 1965 the rate payable was reduced from 15% to 10% of net smelter returns, in respect to all ores and minerals other than direct shipping ores not requiring concentration.

Your company holds a 44% share interest in Taylor Gold Mines Limited, a company incorporated by it and another public company to acquire and explore mining claims in Taylor Township, and other areas of Ontario. Airborne geophysical work was carried out on these claims and other follow up work is being studied.

Since the last annual report Dr. N. B. Keevil and Mr. Joseph H. Hirshhorn joined the board of directors, both of whom have been closely identified with the company's operations since its inception.

Future prospects for your company continue to be most encouraging, offering further growth potential in new ore developments, and an increased rate of earnings from higher production output and economies in milling. The demand for our product — silver — on world markets continues well above the current world's output and there is a general consensus that a higher price for silver is warranted and anticipated.

On behalf of the Board,



N. B. KEEVIL,

President.

October 20, 1965

SILVERFIELDS MINING

(Incorporated under the law of Ontario)

Balance Sheet as at August 31, 1965 (With comparative figures for August 31, 1964)

ASSETS

	1965	1964
CURRENT		
Cash	\$ 113,515	12,907
Short term deposits	150,000	
Ore settlements receivable — at net realizable value	459,558	218,407
Accounts receivable	4,840	
Prepaid expenses and deposits	2,872	3,414
Supplies and materials — at cost	11,841	4,472
	<u>742,626</u>	<u>239,200</u>
ADVANCES — Joint venture (Note 1)	25,000	
INVESTMENTS IN AND PAYMENTS FOR ASSOCIATED COMPANIES	15,105	
FIXED ASSETS, at cost		
Buildings, plant and equipment, on leasehold land (Note 2)	305,985	112,074
Less: Accumulated depreciation	39,752	16,811
	<u>266,233</u>	<u>95,263</u>
Mining properties and rights (Note 3)	240,000	247,555
	<u>506,233</u>	<u>342,818</u>
DEFERRED EXPENDITURES ON OUTSIDE PROPERTIES	4,638	
	<u>\$1,293,602</u>	<u>\$ 582,018</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Silverfields Mining Corporation Limited as at August 31, 1965, and the statements of income and retained earnings for the year ended that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained earnings, when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at August 31, 1965, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
September 24, 1965.

GARDNER, DOE, SHAUGHNESSY & CO.,
Chartered Accountants.

CORPORATION LIMITED

(the Province of Ontario)

August 31, 1965
at August 31, 1964)

LIABILITIES

	1965	1964
CURRENT		
Accounts payable and accrued liabilities	\$ 50,773	57,300
Accrued production royalties	51,919	46,261
Ontario mining tax payable	48,061	25,100
	<u>150,753</u>	<u>128,661</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
AUTHORIZED:		
3,000,000 shares of a par value of \$1.00 each		
ISSUED AND FULLY PAID:		
1,500,005 shares	1,500,005	1,500,005
Discount thereon	1,065,000	1,065,000
	<u>435,005</u>	<u>435,005</u>
RETAINED EARNINGS	707,844	18,352
	<u>1,142,849</u>	<u>453,357</u>
	<u>\$1,293.602</u>	<u>\$ 582,018</u>

Approved on behalf of the Board:

N. B. KEEVIL, Director.

STEPHEN KAY, Director.

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 1965

- NOTE 1—The company has entered into a joint exploration and development venture on an equal basis with Silver Summit Mines Limited, involving two patented mining claims owned by Silver Summit Mines Limited located in the Township of Coleman, Ontario. Each company has advanced \$25,000.00 to date under the terms of the joint venture agreement.
- NOTE 2—No provision has been made for depreciation on a mill purchased by the company on August 17, 1965, at a cost of \$150,000, as the mill was not in use during the year.
- NOTE 3—Mining properties and rights are comprised of the following:—
- | | |
|--|-------------------|
| Lease for ten years from July 4, 1962 on 4 patented claims located in the Township of Coleman, Ontario | \$ 30,000. |
| 31 unpatented mining claims located in the Township of Fabre, Quebec | 210,000. |
| | <u>\$240,000.</u> |
- NOTE 4—No provision has been made for corporation income taxes as the company has entered a three year tax exempt period under Section 83 (5) of the income tax act.
- NOTE 5—As of January 4, 1965 the rate of royalty payable to the lessor of the 4 patented claims located in the Township of Coleman, Ontario was reduced by an amendment of the agreement from 15% to 10% of net smelter returns, in respect of all ores and minerals other than high grade ores not requiring concentration.

SILVERFIELDS MINING CORPORATION LIMITED

Statement of Income

For the year ended August 31, 1965

REVENUE — sale of ore and concentrates		\$1,658,644
<i>Less:</i> — Smelting and refining charges freight and marketing	\$ 76,519	
— Royalties	161,942	238,461
		<u>1,420,183</u>
OPERATING EXPENSES		
Mining	223,154	
Milling	163,816	
Exploration and development	157,676	
Mine general and administrative expense	74,563	
Head office and corporate expense	37,292	656,501
		<u>763,682</u>
OPERATING INCOME FOR THE YEAR, BEFORE THE FOLLOWING:		763,682
Ontario mining tax	47,842	
Depreciation	22,941	
Outside exploration	7,393	78,176
		<u>685,506</u>
OTHER INCOME		
Interest earned		3,986
NET INCOME FOR THE YEAR		<u><u>\$ 689,492</u></u>

Statement of Retained Earnings

For the year ended August 31, 1965

BALANCE, SEPTEMBER 1, 1964	\$ 18,352
<i>Add:</i> Net income for the year ended August 31, 1965	689,492
BALANCE, AUGUST 31, 1965	<u><u>\$ 707,844</u></u>

SILVERFIELDS MINING CORPORATION LIMITED

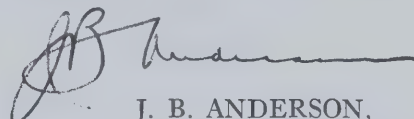
GENERAL MANAGER'S REPORT

During the year underground work was concentrated on the development of known ore veins and the start-up of standard shrinkage stopes. Custom milling on a regular monthly basis was begun in September, 1964 with total shipments of 37,041 tons to the Agnico mill for the fiscal year.

Underground development and exploration during the year has met with encouraging results and has added considerably to ore reserve potential.

With additional mill capacity being required, the decision was made to purchase the adjoining Silver Summit mill. After the construction of 2,000 feet of new road, the haulage distance between the Silverfields shaft and the mill was reduced to about $\frac{3}{4}$ mile, a $\frac{1}{4}$ mile less than the distance to the custom mill. The mill is scheduled for production in November, following overhaul and additions to the flotation circuit which will increase the capacity above the original rating of 200 tons per day. This will allow the mine to reach its full potential and also result in substantial savings in future operating costs.

An agreement with Silver Summit Mines Limited was completed in August, 1965 for the exploration and development of Silver Summit's two patented claims which adjoin Silverfields mine property to the west. Under the terms of the agreement Silverfields will manage the joint operation, and each company may contribute 50% of the expenses and receive 50% of net profits. Initially, each company is putting up \$25,000. If additional funds are required and Silver Summit fails to participate, Silverfields may carry on by paying Silver Summit a royalty on any future production amounting to 10% of net smelter returns. If Silverfields fails to proceed, its interest in the venture is forfeited. It is confidently expected that this undertaking will add to the life of the Silverfields operation.



J. B. ANDERSON,
General Manager.

REPORT ON OPERATIONS

EXPLORATION

A continuous exploration program was carried on to define and extend the known veins and also to explore for additional ones. This led to the discovery of several veins to the north. Other intermediate veins which were less continuous were also intersected.

Detailed drilling on known veins has led to the mining of considerably wider sections in some places than anticipated. In some instances veins were shown to have penetrated the quartzite at the 3rd level in areas previously considered unfavourable for silver.

Exploration of the southeast section of the property was begun from the neighbouring underground workings of Glen Lake Mines Limited, Hiho division. This area is presently not accessible from our underground workings. Initial results here have been encouraging.

DEVELOPMENT

The larger portion of the development work was carried out on the 4th level with lesser amounts at the 3rd and 5th horizons.

On the 3rd level a total of 800 feet of lateral work was done to explore the No. 2 vein system to the west and to provide ventilation and access to the No. 4 vein complex.

1,799 feet of lateral work and 98 feet of raising was completed on the 4th level. This was done to explore the Nos. 3, 8 and 9 veins and also to extend the mining of other veins in production.

On the 5th level a total of 903 feet of lateral work was done to open up the No. 1 vein and reach the veins to the south for future drifting. In order to facilitate ore handling an ore pass was driven to connect with the 4th level. Total raising from the 5th level was 164 feet.

SUMMARY

Drifting and crosscutting	3,502'
Raising	262'
Diamond drilling	28,281'

ORE RESERVES

Ore reserves in the central part of the property, where development has been carried out, were maintained at about 110,000 tons, including 14,700 tons of broken ore. In addition, a substantial increase in potential reserves is indicated by diamond drill intersections to the north on the 3rd, 4th and 5th levels, and in the southeast part of the property at the 3rd level elevation.

MILLING

Custom milling during the year totalled 37,041 tons for an average of 101 tons per calendar day.

Ore milled (dry tons)	37,041
Ounces of silver recovered	1,232,367
Tailings (ounces per ton)	0.69
Calculated heads (ounces per ton)	33.96
Percentage recovery	97.97

Additional to the silver 60,160 pounds of cobalt and 50,573 pounds of copper were recovered and paid for.

CAPITAL EXPENDITURES

Capital expenditures during the year totalled \$193,911, including \$150,000 for the purchase of the Silver Summit mill. Other items included erection of the main office, garage and core house; and miscellaneous underground equipment.

GENERAL

A total of 1,999 feet of surface drilling was completed on the Fabre Township claims in the Province of Quebec. Results to date are inconclusive.

A collective agreement of two years duration was signed with the United Steel Workers of America on June 3, 1965.

I wish to express my appreciation to the directors and officers of the company for their help and guidance and to the mine staff for their efficiency and loyalty.

Respectfully submitted,



K. F. O'FLAHERTY,
Mine Manager.

October 13, 1965.

SILVERFIELDS MINING CORPORATION LIMITED

directors

SIR MICHAEL BUTLER, Bt., Toronto, Ontario
J. H. HIRSHHORN, New York, N.Y.
N. B. KEEVIL, Port Credit, Ontario
STEPHEN KAY, Toronto, Ontario
D. A. PERIGOE, Toronto, Ontario

officers

N. B. KEEVIL, President
STEPHEN KAY, Vice-President
J. B. ANDERSON, General Manager
D. S. BROWN, Secretary-Treasurer

mine manager

K. F. O'FLAHERTY

head office

Suite 1000, 11 Adelaide Street West,
Toronto, Ontario

mine office

Cobalt, Ontario

*transfer agent
and registrar*

EASTERN & CHARTERED TRUST COMPANY,
Toronto, Ontario

auditors

GARDNER, DOE, SHAUGHNESSY & Co.,
Toronto, Ontario



Silverfields Milling Plant.



